

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

In the matter of)	
)	
AMERICAN STATES PREFERRED)	
INSURANCE COMPANY, SAFECO)	CONSENT ORDER
INSURANCE COMPANY OF ILLINOIS,)	LEVYING A FINE
SAFECO INSURANCE COMPANY OF)	
AMERICA, and AMERICAN ECONOMY)	No. D 02 - 121
INSURANCE COMPANY,)	
)	
Authorized Insurers.)	
)	

FINDINGS OF FACT:

1. American States Preferred Insurance Company, Safeco Insurance Company of Illinois, Safeco Insurance Company of America, and American Economy Insurance Company are property and casualty insurers licensed to do business in the State of Washington. Said companies are members of the Safeco Insurance Companies Group and are hereafter referred to as "Safeco".
2. On November 14, 2000, the Office of the Insurance Commissioner ("OIC") issued a Technical Assistance Advisory, No. T 2000-06 advising all insurers authorized in Washington that RCW 48.05.190 and RCW 48.30.050 require a company to identify itself by the individual company name in its advertisements, contracts, and correspondence, both to the general public and to the OIC.
3. By letter dated November 15, 2000, former OIC Senior Assistant Deputy Commissioner G.W. Taylor wrote Safeco's general counsel enclosing a copy of the above-referenced Technical Assistance Advisory, informing Safeco that OIC had received letters from Safeco that do not reveal what company is involved, that the law requires every insurer to conduct business in its own legal name, and that Safeco's "practice must be reformed."
4. By telephone call from Safeco's attorney, on or about December 27, 2000, Safeco advised it would reform its practices.
5. Following the above-referenced telephone call, OIC continued to receive correspondence from members of the Safeco Insurance Companies group that did not identify the Safeco company involved.

6. By letter March 30, 2001, Catherine E. Rogerson, OIC Manager, Consumer Advocacy, Consumer Protection Division, advised SAFECO that SAFECO member companies had continued to violate RCW 48.05.190 in their correspondence with OIC at an extraordinarily high and unacceptable rate.
7. By letter dated April 5, 2001, SAFECO Vice President and Associate Counsel, Laura M. Murphy, acknowledged the March 30, 2001 letter and advised SAFECO would reform its practices.
8. Following the above-referenced letter, OIC continued to receive correspondence from SAFECO member companies that did not identify the SAFECO company involved.
9. On October 24, 2001, OIC representatives met with SAFECO representative, Rob Tee, presented Mr. Tee with documentation as to the nature and scope of the problem, and again emphasized that OIC would be monitoring correspondence from SAFECO affiliates and that OIC would take enforcement action if the problem was not fixed. Mr. Tee subsequently confirmed by telephone that he had conveyed this information to SAFECO's general counsel, James Ruddy.
10. Despite the above-referenced Technical Assistance Advisory, telephone conversations, warning letters, and meeting, between October 25, 2001, and May 31, 2002, OIC's Consumer Protection Division received seven items of correspondence from SAFECO member companies that did not identify the company on whose behalf the correspondence was written or state the legal name of such company, which items of correspondence was later determined by OIC to have been sent on behalf of American States Preferred Insurance Company, SAFECO Insurance Company of Illinois, SAFECO Insurance Company of America, and American Economy Insurance Company.

CONCLUSIONS OF LAW:

1. SAFECO's failures to identify in its correspondence the name of the SAFECO member company involved in the insurance transaction and on whose behalf the correspondence was sent constitute seven violations of RCW 48.05.190.

CONSENT TO ORDER:

American States Preferred Insurance Company, SAFECO Insurance Company of Illinois, SAFECO Insurance Company of America, and American Economy Insurance Company, wish to resolve this matter without further administrative or judicial proceedings and hereby admit to the foregoing Findings of Fact and Conclusions of Law. SAFECO and said member companies hereby consent to the entry of this order and acknowledge their duty to comply fully with the applicable laws of the State of Washington.

1. By agreement of the parties, the OIC will impose a fine of \$17,500 upon American States Preferred Insurance Company, SAFECO Insurance Company of Illinois, SAFECO Insurance Company of America, and American Economy Insurance Company, collectively.
2. American States Preferred Insurance Company, SAFECO Insurance Company of Illinois, SAFECO Insurance Company of America, and American Economy Insurance Company agree to fulfill and comply with the terms of the Compliance Plan set forth in Exhibit 1 attached hereto.
3. American States Preferred Insurance Company, SAFECO Insurance Company of Illinois, SAFECO Insurance Company of America, and American Economy Insurance Company agree to instruct those persons responsible for communications, for or on their behalf, of the requirement that the legal name of the specific member company on whose behalf the correspondence is sent be identified.

Pursuant to RCW 48.05.185, failure to pay the fine timely or to fulfill the stated conditions shall constitute grounds for the revocation of the insurers' certificates of authority, and for the recovery of the full fine in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

EXECUTED this 15th day of January, 2003.

AMERICAN STATES PREFERRED INSURANCE COMPANY

Signed Name: _____

Printed Name: _____

Printed Title: _____

SAFECO INSURANCE COMPANY OF ILLINOIS

Signed Name: _____

Printed Name: _____

Printed Title: _____

SAFECO INSURANCE COMPANY OF AMERICA

Signed Name: _____

Printed Name: _____

Printed Title: _____

AMERICAN ECONOMY INSURANCE COMPANY

Signed Name: _____

Printed Name: _____

Printed Title: _____

ORDER:

1. Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of Seventeen Thousand Five Hundred Dollars (\$17,500) upon American States Preferred Insurance Company, SAFECO Insurance Company of Illinois, SAFECO Insurance Company of America, and American Economy Insurance Company, collectively. The fine must be paid in full within thirty days of the entry of this order in Olympia, Washington. Failure to pay the fine timely shall constitute grounds for the revocation of the insurers' certificates of authority and for the recovery of the full fine in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.
2. American States Preferred Insurance Company, SAFECO Insurance Company of Illinois, SAFECO Insurance Company of America, and American Economy Insurance Company shall fulfill and comply with the terms of the Compliance Plan set forth in Exhibit I attached hereto. The failure to fulfill the stated conditions of the Compliance Plan shall constitute grounds for the revocation of the insurers' certificates of authority and for additional enforcement action by the Commissioner.
3. American States Preferred Insurance Company, SAFECO Insurance Company of Illinois, SAFECO Insurance Company of America, and American Economy Insurance Company shall instruct those persons responsible for communications, for or on their behalf, of the requirement that the legal name of the specific member company on whose behalf the correspondence is sent be identified. Failure to fulfill this condition shall constitute grounds for the revocation of the insurers' certificates of authority and for additional enforcement action by the Commissioner.

4. Execution of this Consent Order and fulfillment of the terms and conditions of this Order by the Company will settle only those violations of RCW 48.05.190 arising from the seven items of correspondence with OIC Consumer Protection Division set forth in the foregoing Findings of Fact.

ENTERED AT TUMWATER, WASHINGTON, this 16th day of January, 2003.

Mike Kreidler
Insurance Commissioner

By: _____

Charles D. Brown
Staff Attorney, Legal Affairs

Exhibit 1
WASHINGTON COMPLIANCE PLAN

American States Preferred Insurance Company
Safeco Insurance Company of Illinois
Safeco Insurance Company of America
American Economy Insurance Company

Introduction:

This Exhibit outlines the plan to ensure that correspondence from or written by, or on behalf of, American States Preferred Insurance Company, Safeco Insurance Company of Illinois, Safeco Insurance Company of America, and American Economy Insurance Company ("Company") pertaining to policies covering Washington insureds or risks located within Washington complies with the requirement of RCW 48.05.190(1) and (2). The plan encompasses internal audits with reports to the OIC.

Internal Audits:

The Company will conduct two annual audits of the companies named above and their affiliated property-casualty companies, the first to be completed by February 28, 2002, and the second by February 28, 2003.

Each audit will consist of a review of 100 claims files active in the preceding calendar year in which the audit is completed, which files shall be randomly selected from the collective group's files active in said year. The Company will review all correspondence in the selected files that is directed to insureds or outside third parties, including but not limited to correspondence to the OIC, and the Company will identify all such correspondence that does not clearly state on its face the legal name of the Safeco affiliate company on whose behalf the correspondence was sent.

The Company will submit to Heather Budd, Legal Affairs Division, Office of the Insurance Commissioner, PO Box 40255, Olympia, WA 98504, or Insurance 5000 Bldg, 5000 Capitol Blvd, Tumwater, WA 98501, no later than thirty calendar days after the end of the audit, the results of the each audit, including copies of all items of correspondence, if any, that do not clearly state the legal name of the Safeco affiliate company on whose behalf the correspondence was sent. The Company will undertake appropriate remedial action for each exception found within any such audit and will advise the OIC of the action taken.